

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Retirement Note

BILL NUMBER: Senate Bill 594 (Fifth Edition)

SHORT TITLE: Omnibus Justice Amendments.

SPONSOR(S):

FUNDS AFFECTED: State General Fund

SYSTEM OR PROGRAM AFFECTED: Consolidated Judicial Retirement System (CJRS).

BILL SUMMARY: Part VII of Senate Bill 594 (Fifth Edition) increases the mandatory retirement age in the Consolidated Judicial Retirement System for judges and justices of the General Court of Justice from age 72 to age 75. This is the only part of the bill affecting a retirement system.

EFFECTIVE DATE: Part VII becomes effective December 1, 2014.

ESTIMATED IMPACT ON STATE: Both Buck Consultants, the actuary for CJRS, and Hartman & Associates, the actuary for the General Assembly, estimate that the provisions of Part VII of Senate Bill 594 (Fifth Edition) will have no material impact on CJRS.

ASSUMPTIONS AND METHODOLOGY:

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2012 actuarial valuations. Significant membership and financial statistics, assumptions, and methods are shown in the following tables:

Membership Statistics (as of 12/31/2012 unless otherwise noted, M = millions)	
Active Members	
Count	564
General Fund Compensation	\$70M
Valuation Compensation	\$71M
Average Age	55
Average Service	13.2
Inactive Members	
Count	48
Retired Members	
Count	559
Annual Benefits	\$33M
Average Age	72
New Retirees During 2013	40

Financial Statistics (as of 12/31/2012 unless otherwise noted, M = millions)	
Accrued Liability (AL)	\$528M
Actuarial Value of Assets (AVA)	\$481M
Market Value of Assets (MVA)	\$466M
Unfunded Accrued Liability (AL - AVA)	\$46M
Funded Status (AVA / AL)	91%
Annual Required Contribution (ARC) for FY 2014-15 (as % of pay)	26.55%
Assumed Rate of Investment Return	7.25%
Salary Increase Assumption (includes 3.50% inflation and productivity)	5.00% - 5.95%
Cost Method	Projected Unit Credit
Amortization	12 year, closed, flat \$
Demographic assumptions based on 2005-2009 experience, RP-2000 mortality with age adjustments, and projection of future mortality improvement with scale AA	

Benefit Provisions	
Formula	3.02% to 4.02% x Service x Final Pay
Unreduced retirement age/service	50/24; 65/10 (5 if hired < Aug 2011)
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from David Vanderweide.

SOURCES OF DATA:

Buck Consultants, "House Bill 12", February 11, 2013, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 12: An Act to Increase the Mandatory Retirement Age for Judges and Justices of the General Court of Justice", February 5, 2013, original of which is on file in the General Assembly's Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910.

The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

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DATE: June 21, 2104



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